UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly period ended September 30, 2018

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from to
Commission file number 000-53862
iGambit Inc.
(Exact name of small business issuer as specified in its charter)

Delaware	**11-3363609**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

1050 W. Jericho Turnpike, Suite A
Smithtown, New York 11787
(Address of Principal Executive Offices) (Zip Code)
(631) 670-6777
(Issuer's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The Registrant had 181,639,817 (not including 10 million shares held in treasury) shares of the Registrant’s $0.001 par value common stock outstanding.

iGambit Inc.
Form 10-Q

PART I — FINANCIAL INFORMATION

Item 1 — *Financial Statements*

IGAMBIT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	SEPTEMBER 30, 2018	DECEMBER 31, 2017
ASSETS		
Current assets		
Cash	$ 3,182	$ 9,449
Accounts receivable	25,981	6,254
Prepaid expenses and other current assets	--	39,377
Total current assets	29,163	55,080
Other assets		
Property and equipment, net	2,550	3,845
Intangible assets, net	2,745,983	3,267,885
Deposits	1,945	1,945
	$ 2,779,641	$ 3,328,755
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 279,426	$ 348,354
Accrued interest on notes payable	32,060	21,602
Amounts due to related parties	128,476	128,476
Deferred revenue	4,167	9,100
Notes payable	52,500	52,500
Convertible debentures, net of debt discount of $157,578 and $24,311 as of September 30, 2018 and December 31, 2017, respectively	489,922	333,689
Derivative liability	227,287	66,059
Total current liabilities	1,213,838	959,780

Stockholders' equity		
Preferred stock, $.001 par value; authorized - 100,000,000 shares; issued and outstanding - 1,000 and 0 shares as of September 30, 2018 and December 31, 2017, respectively	1	--
Common stock, $.001 par value; authorized - 800,000,000 shares; 163,344,402 and 126,196,571 shares issued and 153,344,402 and 116,196,571 shares outstanding (net of treasury shares) as of September 30, 2018 and December 31, 2017, respectively	163,344	126,196
Additional paid-in capital	13,995,826	12,891,348
Accumulated deficit	(11,593,368)	(9,648,569)
	2,565,803	3,368,975
Less: Treasury stock; 10,000,000 shares, at cost	(1,000,000)	(1,000,000)
Total stockholders' equity	1,565,803	2,368,975
	$ 2,779,641	$ 3,328,755

See accompanying notes to the condensed consolidated financial statements.

IGAMBIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

		THREE MONTHS ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30,		
		2018		2017		2018		2017
Sales	$	22,582	$	19,012	$	30,500	$	27,957
Cost of sales		7,834		7,952		23,658		22,564
Gross profit (loss)		14,748		11,060		6,842		5,393
Operating expenses								
General and administrative expenses		207,793		397,510		752,930		1,465,357
Amortization		173,967		325,490		521,902		663,726
Total operating expenses		381,760		723,000		1,274,832		2,129,083
Loss from operations		(367,012)		(711,940)		(1,267,990)		(2,123,690)
Other income (expenses)								
Change in fair value of derivative liability		76,091		--		(128,100)		--
Loss on extinguishment of debt		(95,464)		--		(233,734)		--
Interest expense		(222,134)		(16,668)		(314,975)		(30,333)
Total other income (expenses)		(241,507)		(16,668)		(676,809)		(30,333)
Loss from continuing operations		(608,519)		(728,608)		(1,944,799)		(2,154,023)
Income from discontinued operations (including gain on disposal of $6,657,848 for the three and nine months ended September 30, 2017)		-		7,053,622		-		6,589,713
Net income (loss)	$	(608,519)	$	6,325,014	$	(1,944,799)	$	4,435,690
Basic and fully diluted loss per common share:								
Continuing operations	$	(.00)	$	(.00)	$	(.01)	$	(.03)
Discontinued operations	$	.00	$	.06	$	.00	$	.09
Net loss per common share	$	(.00)	$	.06	$	(.01)	$	.06
Weighted average common shares outstanding - basic and fully diluted		145,757,010		119,891,816		131,634,578		76,055,474

See accompanying notes to the condensed consolidated financial statements.

IGAMBIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30,
(UNAUDITED)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,944,799)	$ 4,435,690
(Income) loss from discontinued operations	--	(6,589,713)
Net loss from continuing operations	(1,944,799)	(2,154,023)
Adjustments to reconcile net loss to net		
cash used in operating activities		
Depreciation	1,295	830
Amortization	521,902	663,726
Non cash interest expense	312,412	9,812
Stock-based compensation expense	88,800	938,825
Loss on extinguishment of debt	233,734	--
Change in fair value of derivative liability	128,100	--
Changes in operating assets and liabilities:		
Accounts receivable	(19,727)	(8,725)
Prepaid expenses and other current assets	39,377	48,071
Accounts payable and accrued expenses	(68,928)	(37,484)
Accrued interest on notes payable	--	15,984
Deferred revenue	(4,933)	--
Net cash used in continuing operating activities	(712,767)	(522,984)
Net cash provided by (used in) discontinued operating activities	--	(561)
NET CASH USED IN OPERATING ACTIVITIES	(712,767)	(523,545)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in deposits		(225)
Preacquisition loans to subsidiary	--	(50,000)
Loans to deconsolidated subsidiary	--	(10,382)
Cash acquired from acquisition of subsidiary	--	29,584
Net cash used in continuing investing activities	--	(31,023)
Net cash used in discontinued investing activities	--	--

NET CASH USED IN INVESTING ACTIVITIES	--	(31,023)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible debentures	676,500	288,000
Proceeds from sale of common stock	30,000	275,000
Repayment of notes payable	--	(8,000)
Increase (decrease) in amounts due to related parties	--	4,535
Net cash provided by continuing financing activities	706,500	559,535
Net cash provided by discontinued financing activities	--	--
NET CASH PROVIDED BY FINANCING ACTIVITIES	706,500	559,535
NET INCREASE (DECREASE) IN CASH	(6,267)	4,967
CASH - BEGINNING OF PERIOD	9,449	10,522
CASH - END OF PERIOD	$ 3,182	$ 15,489

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 2,563	$ 2,259
Non-cash investing and financing activities:		
Debt discount related to derivative liability	$ 533,249	$ 192,419
Common stock issued in payment of accounts payable	--	11,250
Notes payable converted to common stock	387,000	--
Common stock issued in payment of accrued interest	23,746	--

See accompanying notes to the condensed consolidated financial statements.

IGAMBIT INC.
Notes to Condensed Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017
(Unaudited)

Note 1 - Organization and Basis of Presentation

The unaudited condensed consolidated financial statements presented are those of iGambit Inc., (the "Company") and its wholly-owned subsidiaries, HealthDatix, Inc. ("HealthDatix"), Wala, Inc. doing business as Arcmail Technology ("ArcMail") and Gotham Innovation Lab Inc. ("Gotham"). The Company is a holding company which seeks out acquisitions of operating companies in technology markets. HealthDatix, Inc. is engaged in the business of streamlining the process of managing information in the document-intensive medical field for customers throughout the United States. ArcMail provides email archive solutions to domestic and international businesses through hardware and software sales, support, and maintenance. Gotham was in the business of providing media technology services to real estate agents and brokers in the New York metropolitan area.

Interim Financial Statements

The following (a) condensed consolidated balance sheet as of December 31, 2017, which has been derived from audited financial statements, and (b) the unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2018 are not necessarily indicative of results that may be expected for the year ending December 31, 2018. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2017 included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on April 17, 2018.

Business Acquisition

On February 14, 2017, the Company acquired Healthdatix, Inc., formerly known as HubCentrix, Inc. in accordance with a stock purchase agreement. Previously, the Company was focused on the technology markets. The Company has tailored its strategy to focus on pursuing specific medical technology strategies and objectives. The acquisition of HealthDatix, provides the Company with its first medical technology, WellDatix, a proprietary platform that enables physicians to identify patients eligible for Annual Wellness Visits which are reimbursed by Medicare. This technology positions the Company to participate in the anticipated accelerated market needs of the physician community throughout the country. Pursuant to the stock purchase agreement, the total consideration paid for the outstanding capital stock of HealthDatix was $1,050,000 consisting of 15,000,000 shares of iGambit restricted common stock, valued at $.07 per share.

The results of operations of HealthDatix for the period February 14, 2017 to September 30, 2017 have been included in the consolidated statements of operations for the nine months ended September 30, 2017. The following table presents unaudited pro forma results of operations of the Company and HealthDatix as if the acquisition had occurred at January 1, 2017. The pro forma condensed financial information is presented for informational purposes only. The unaudited pro forma results of operations are not necessarily indicative of results that would have occurred had the acquisition taken place at the beginning of the earliest period presented, or of future results.

		September 30, 2017
Pro forma revenue	$	31,207
Pro forma gross profit	$	8,636
Pro forma loss from operations	$	(2,113,412)
Pro forma net loss	$	(2,541,654)

On April 5, 2017, the Company, through its wholly owned subsidiary HealthDatix, Inc. (“HealthDatix”) consummated the acquisition of certain assets of the CyberCare Health Network Division from EncounterCare Solutions Inc. (ECSL) in accordance with an Asset Purchase Agreement (the “Agreement”) by and among, HealthDatix, ECSL and the Company. Pursuant to the Agreement, ECSL will sell, convey, transfer and assign to HealthDatix certain assets (the “Assets”), and HealthDatix will purchase and accept from the ECSL all right, title and interest in and to the Assets in exchange for sixty million 60,000,000 shares of restricted common stock of iGambit.

Note 2 – Discontinued Operations

<u>Sale of Business</u>

Effective October 1, 2016, management decided to dispose of its subsidiary Arcmail and entered into a letter of intent on March 1, 2017 to sell Arcmail in a stock exchange to the CEO of Arcmail. On June 30, 2017, the Company completed the sale of ArcMail to Rory T. Welch, the CEO of Arcmail (“Welch”) in accordance with a Stock Purchase Agreement (the “Purchase Agreement”) by and between the Company and Welch. Pursuant to the Stock Purchase, the total consideration paid for the outstanding capital stock of ArcMail is remittance of 10,000,000 shares of iGambit common stock previously issued to Welch. As per the Purchase Agreement, the Company’s operations of ArcMail ended March 31, 2017 and Welch’s operation of the business was effective as of April 1, 2017. Arcmail’s operating loss for the three months ended March 31, 2017 has been included in loss from discontinued operations in the statements of operations for the year ended December 31, 2017.

On November 5, 2015, pursuant to an asset purchase agreement Gotham sold assets consisting of fixed assets, client and supplier lists, trade names, software, social media accounts and websites, and domain names to VHT, Inc., a Delaware corporation for a purchase price of $600,000. Gotham received $400,000 and commencing on January 29, 2016, VHT, Inc. shall pay twelve equal monthly installments of $16,667 on the last business day of each month (the "Installment Payments" and each, an "Installment Payment"), each Installment Payment to consist of (1) an earn-out payment of $10,000 (the "Earn-Out Payments" and each, an "Earn-Out Payment"), and (2) an additional payment of $6,667 (the "Additional Payments" and each, an "Additional Payment"); provided that VHT, Inc. shall only be required to make the Earn-Out Payments for as long as it maintains its relationship with Gotham's major client, unless it is dissatisfied with VHT, Inc. The terms of the installment payments were fulfilled as of December 31, 2016.

The components of loss from discontinued operations presented in the consolidated statements of operations for the nine months ended September 30, 2017 are presented as follows:

Sales	$	386,157
Cost of sales		(29,462)
General and administrative expenses		(327,445)
Depreciation and amortization		(4,537)
Interest expense		(92,848)
Gain on disposal of Arcmail		6,657,848
Income from discontinued operations	$	6,589,713

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, HealthDatix, Inc., Wala, Inc. and Gotham Innovation Lab, Inc. All intercompany accounts and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fair Value Measurements

The Company adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures,* which defines fair value as used in numerous accounting pronouncements, establishes a framework for measuring fair value and expands disclosure of fair value measurements.

The estimated fair value of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments. The carrying amounts of our short- and long-term credit obligations approximate fair value because the effective yields on these obligations, which include contractual interest rates taken together with other features such as concurrent issuances of warrants and/or embedded conversion options, are comparable to rates of returns for instruments of similar credit risk.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

The estimated fair value of the derivative liability was calculated using the Black-Scholes option pricing model. The Company uses Level 3 inputs to value its derivative liabilities. The following table provides a reconciliation of the beginning and ending balances for the major classes of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) and reflects gains and losses for the nine months ended September 30, 2018.

Liabilities:		
Balance of derivative liabilities – January 1, 2018	$	66,059
Issued		705,387
Converted		(672,259)
Change in fair value recognized in operations		128,100
Balance of derivative liabilities – September 30, 2018	$	227,287

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in convertible instruments in accordance with ASC 815, *Derivatives and Hedging Activities.*

Applicable GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under other GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

The Company accounts for convertible instruments (when it has been determined that the embedded conversion options should not be bifurcated from their host instruments) as follows: The Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

The Company accounts for the conversion of convertible debt when a conversion option has been bifurcated using the general extinguishment standards. The debt and equity linked derivatives are removed at their carrying amounts and the shares issued are measured at their then-current fair value, with any difference recorded as a gain or loss on extinguishment of the two separate accounting liabilities.

Revenue Recognition

iGambit is a holding company and has no sources of revenue.

HealthDatix's revenues are derived primarily from its Software as a Service (SaaS) offerings that are rendered to healthcare providers. HealthDatix recognizes revenues when the products or services have been provided or delivered, the fees charged are fixed or determinable, HealthDatix and its customers understand the specific nature and terms of the agreed upon transactions, and collectability is reasonably assured.

Arcmail recognizes revenue from product sales when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, an equipment order has been placed with the vendor, the selling price is fixed or determinable, and collectability is reasonably assured. Revenues from maintenance contracts covering multiple future periods are recognized during the current periods and deferred revenue is recorded for future periods and classified as current or noncurrent, depending on the terms of the contracts.

Gotham's revenues were derived primarily from the sale of products and services rendered to real estate brokers. Gotham recognized revenues when the services or products have been provided or delivered, the fees charged are fixed or determinable, Gotham and its customers understood the specific nature and terms of the agreed upon transactions, and collectability was reasonably assured.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs from continuing operations for the nine months ended September 30, 2018 and 2017 were $0 and $1,919, respectively.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include checking and money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

Accounts Receivable

The Company analyzes the collectability of accounts receivable from continuing operations each accounting period and adjusts its allowance for doubtful accounts accordingly. A considerable amount of judgment is required in assessing the realization of accounts receivables, including the creditworthiness of each customer, current and historical collection history and the related aging of past due balances. The Company evaluates specific accounts when it becomes aware of information indicating that a customer may not be able to meet its financial obligations due to deterioration of its financial condition, lower credit ratings, bankruptcy or other factors affecting the ability to render payment.

Property and equipment and depreciation

Property and equipment are stated at cost. Maintenance and repairs are charged to expense when incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is credited or charged to income. Depreciation for both financial reporting and income tax purposes is computed using combinations of the straight line and accelerated methods over the estimated lives of the respective assets as follows:

Office equipment and fixtures	5 - 7 years
Computer hardware	5 years
Computer software	3 years
Development equipment	5 years

Amortization

Intangible assets are amortized using the straight line method over the estimated lives of the respective assets as follows:

Software	5 years
Technology license	5 years
Purchased in process R&D	Indefinite
Customer contracts	10 years

Goodwill

Goodwill represents the excess of assets acquired over liabilities assumed of HealthDatix and the fair market value of the common shares issued by the Company for the acquisition of HealthDatix. In accordance with ASC Topic No. 350 "Intangibles – Goodwill and Other"), the goodwill is not being amortized, but instead will be subject to an annual assessment of impairment by applying a fair-value based test, and will be reviewed more frequently if current events and circumstances indicate a possible impairment. An impairment loss is charged to expense in the period identified. If indicators of impairment are present and future cash flows are not expected to be sufficient to recover the asset's carrying amount, an impairment loss is charged to expense in the period identified. The Company recorded a full impairment of the Goodwill as of December 31, 2017.

Long-Lived Assets

The Company assesses the valuation of components of its property and equipment and other long-lived assets whenever events or circumstances dictate that the carrying value might not be recoverable. The Company bases its evaluation on indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors that may be present. If such factors indicate that the carrying amount of an asset or asset group may not be recoverable, the Company determines whether an impairment has occurred by analyzing an estimate of undiscounted future cash flows at the lowest level for which identifiable cash flows exist. If the estimate of undiscounted cash flows during the estimated useful life of the asset is less than the carrying value of the asset, the Company recognizes a loss for the difference between the carrying value of the asset and its estimated fair value, generally measured by the present value of the estimated cash flows.

Deferred Revenue

Deposits from customers included in discontinued operations are not recognized as revenues, but as liabilities, until the following conditions are met: revenues are realized when cash or claims to cash (receivable) are received in exchange for goods or services or when assets received in such exchange are readily convertible to cash or claim to cash or when such goods/services are transferred. When such income item is earned, the related revenue item is recognized, and the deferred revenue is reduced. To the extent revenues are generated from the Company's support and maintenance services, the Company recognizes such revenues when services are completed and billed. The Company has received deposits from its various customers that have been recorded as deferred revenue and presented as current liabilities in the amount of $4,167 and $9,100 as of September 30, 2018 and December 31, 2017, respectively.

Stock-Based Compensation

The Company accounts for its stock-based awards granted under its employee compensation plan in accordance with ASC Topic No. 718-20, *Awards Classified as Equity,* which requires the measurement of compensation expense for all share-based compensation granted to employees and non-employee directors at fair value on the date of grant and recognition of compensation expense over the related service period for awards expected to vest. The Company uses the Black-Scholes option pricing model to estimate the fair value of its stock options and warrants. The Black-Scholes option pricing model requires the input of highly subjective assumptions including the expected stock price volatility of the Company's common stock, the risk free interest rate at the date of grant, the expected vesting term of the grant, expected dividends, and an assumption related to forfeitures of such grants. Changes in these subjective input assumptions can materially affect the fair value estimate of the Company's stock options and warrants.

Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with ASC Topic No. 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

The Company applies the provisions of ASC Topic No. 740 for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements. In accordance with this provision, tax positions must meet a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") on revenue from contracts with customers, ASU No. 2014-09, Revenue from Contracts with Customers ("Topic 606"). This standard update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The guidance is effective for annual reporting periods including interim reporting reports beginning after December 15, 2017. Collectively, we refer to Topic 606, its related amendments and Subtopic 340-40 as the "new standard". On January 1, 2018, we adopted the new standard using the modified retrospective method applied to all contracts that are not completed contracts at the date of initial application (i.e., January 1, 2018). Results for reporting periods after January 1, 2018 are presented under the new standard, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting. There was no impact on the opening accumulated deficit as of January 1, 2018 due to the adoption of the new standard.

We have reviewed other recent accounting pronouncements and concluded they are either not applicable to the business, or no material effect is expected on the condensed consolidated financial statements as a result of future adoption.

Note 4 – Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has disposed of its operating subsidiary, and has an accumulated deficit of $11,593,368, and a working capital deficit of $1,184,675 at September 30, 2018. These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. The Company's continuation as a going concern is dependent upon its ability to obtain necessary equity financing and ultimately from generating revenues from its newly acquired subsidiary to continue operations. The Company expects that working capital requirements will continue to be funded through a combination of its existing funds and further issuances of securities. Working capital requirements are expected to increase in line with the growth of the business. Existing working capital, further advances and debt instruments, and anticipated cash flow are expected to be adequate to fund operations over the next twelve months. The Company has no lines of credit or other bank financing arrangements. The Company has financed operations to date through the proceeds of a private placement of equity and debt instruments. In connection with the Company's business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) developmental expenses associated with a start-up business and (ii) marketing expenses. The Company intends to finance these expenses with further issuances of securities, and debt issuances. Thereafter, the Company expects it will need to raise additional capital and generate revenues to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to current stockholders. Further, such securities might have rights, preferences or privileges senior to common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict business operations.

The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 5 – Property and Equipment

Property and equipment are carried at cost and consist of the following at September 30, 2018 and December 31, 2017:

		2018		2017
Office equipment and fixtures	$	10,964	$	10,964
Less: Accumulated depreciation		8,414		7,119
	$	2,550	$	3,845

Depreciation expense of $1,295 and $830 was charged to continuing operations for the nine months ended September 30, 2018 and 2017, respectively.

Depreciation expense of $0 and $4,538 was charged to discontinued operations for the nine months ended September 30, 2018 and 2017, respectively.

Note 6 – Intangible Assets

Intangible assets from the acquisitions of HealthDatix and ECSL are carried at cost and consist of the following at September 30, 2018 and December 31, 2017:

		2018		2017	Life
Software	$	156,925	$	156,925	5 years
Customer contracts		644,846		644,846	10 years
FDA 510K clearance		1,396,000		1,396,000	5 years
Technology license		1,000,000		1,000,000	5 years
In process research and development		604,000		604,000	Indefinite
		3,801,771		3,801,771	
Less: Accumulated amortization		1,055,788		533,886	
	$	2,745,983	$	3,267,885	

Amortization expense of $521,902 and $663,726 was charged to continuing operations for the nine months ended September 30, 2018 and 2017, respectively.

Note 7 - Loss Per Common Share

The Company calculates net income (loss) per common share in accordance with ASC 260 "*Earnings Per Share*" ("ASC 260"). Basic and diluted net earnings (loss) per common share was determined by dividing net earnings (loss) applicable to common stockholders by the weighted average number of common shares outstanding during the period. The Company's potentially dilutive shares, which include outstanding common stock options and common stock warrants, have not been included in the computation of diluted net loss per share for the nine months ended September 30, 2018 and 2017 as the result would be anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Stock options	8,463,000	8,463,000	8,463,000	8,463,000
Stock warrants	1,900,000	400,000	1,900,000	400,000
Total shares excluded from calculation	10,363,000	8,863,000	10,363,000	8,863,000

Note 8 – Stock Based Compensation

Options

In 2006, the Company adopted the 2006 Long-Term Incentive Plan (the "2006 Plan"). Awards granted under the 2006 Plan have a ten-year term and may be incentive stock options, non-qualified stock options or warrants. The awards are granted at an exercise price equal to the fair market value on the date of grant and generally vest over a three or four year period. The Plan expired on December 31, 2009, therefore as of September 30, 2018, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2006 plan.

The 2006 Plan provided for the granting of options to purchase up to 10,000,000 shares of common stock. 8,146,900 options have been issued under the plan to date of which 7,157,038 have been exercised and 692,962 have expired to date. There were 296,900 options outstanding under the 2006 Plan on its expiration date of December 31, 2009. All options issued subsequent to this date were not issued pursuant to any plan.

Stock option activity during the nine months ended September 30, 2018 and 2017 follows:

	Options Outstanding	Weighted Average Exercise Price		Weighted Average Grant-Date Fair Value		Weighted Average Remaining Contractual Life (Years)
Options outstanding at December 31, 2016	1,422,000	$	0.03	$	0.13	5.60
Options granted	7,800,000		0.07		--	
Options cancelled	(759,000)		0.03		--	
Options outstanding at September 30, 2017	8,463,000	$	0.07		0.07	7.66
Options outstanding at December 31, 2017	8,463,000		0.07	$	0.07	7.41
No option activity	--		--		--	
Options outstanding at September 30, 2018	8,463,000	$	0.07	$	0.07	6.66

Options outstanding at September 30, 2018 consist of:

Date Issued	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
June 9, 2014	213,000	213,000	$0.03	June 9, 2024
June 6, 2014	250,000	250,000	$0.05	June 6, 2019
March 24, 2015	200,000	200,000	$0.01	March 24, 2020
April 6, 2017	600,000	600,000	$0.03	April 6, 2027
June 6, 2017	700,000	700,000	$0.07	June 6, 2022
June 6, 2017	6,500,000	6,500,000	$0.07	June 6, 2027
Total	8,463,000	8,463,000		

Warrants

In addition to our 2006 Long Term Incentive Plan, we have issued and outstanding compensatory warrants to two consultants entitling the holders to purchase a total of 275,000 shares of our common stock at an average exercise price of $0.94 per share. Warrants to purchase 25,000 shares of common stock vest upon 6 months after the Company engages in an IPO, have an exercise price of $3.00 per share, and expire 2 years after the Company engages in an IPO. Warrants to purchase 250,000 shares of common stock vest 100,000 shares on issuance (June 1, 2009), and 50,000 shares on each of the following three anniversaries of the date of issuance, have exercise prices ranging from $0.50 per share to $1.15 per share, and expire on June 1, 2019. The issuance of the compensatory warrants was not submitted to our shareholders for their approval.

Warrant activity during the nine months ended September 30, 2018 and 2017 follows:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value	(1)Weighted Average Remaining Contractual Life (Years)
Warrants outstanding at December 31, 2016	275,000	$ 0.94	$ 0.10	2.42
Warrant granted	125,000	0.40	--	
Warrants outstanding at September 30, 2017	400,000	$ 0.62	$ 0.10	3.53
Warrants outstanding at December 31, 2017	400,000	$ 0.62	$ 0.10	3.27
Warrants granted	1,500,000	0.05	--	
Warrants outstanding at September 30, 2018	1,900,000	$ 0.21	$ 0.12	3.49

(1) Exclusive of 25,000 warrants expiring 2 years after initial IPO.

Warrants outstanding at September 30, 2018 consist of:

Date Issued	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
April 1, 2000	25,000	25,000	$3.00	2 years after IPO
June 1, 2009	100,000	100,000	$0.50	June 1, 2019
June 1, 2009	50,000	50,000	$0.65	June 1, 2019
June 1, 2009	50,000	50,000	$0.85	June 1, 2019
June 1, 2009	50,000	50,000	$1.15	June 1, 2019
January 1, 2017	50,000	50,000	$0.25	October 10, 2021
January 1, 2017	50,000	50,000	$0.50	November 7, 2021
January 5, 2017	25,000	25,000	$0.50	January 5, 2022
February 5, 2018	375,000	375,000	$0.05	February 5, 2023
February 5, 2018	375,000	375,000	$0.05	February 5, 2023
April 27, 2018	375,000	375,000	$0.05	April 27, 2023
April 27, 2018	375,000	375,000	$0.05	April 27, 2023
Total	1,900,000	1,900,000		

Note 9 – Convertible Debt

Convertible Notes Payable

On April 3, 2017, the Company entered into a Convertible Promissory Note pursuant to which the Company borrowed in the aggregate principal amount of $125,000. The convertible note is due 12 months after issuance and bears interest at a rate of 12%. The

Note is convertible into shares of common stock of the Company 180 days following the date of funding and thereafter. The conversion price shall be subject to a discount of 50%. The conversion price shall be determined on the basis of the lowest VWAP (Volume Weighted Average Price) of the Common Stock during the prior twenty (20) trading day period. The Investor will be limited to convert no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. At any time during the period beginning on the date of the Note and ending on the date which is 180 days thereafter, the Company may repay the Note by paying an amount equal to the then outstanding amount multiplied by 135%. During the nine months ended September 30, 2018, the noteholder converted the remaining principal balance of $39,000 and accrued interest of $9,826 to 2,591,087 shares of common stock.

On November 28, 2017, the Company issued an 8% convertible note in the aggregate principal amount of $103,000, convertible into shares of the Company's common stock. The Note, including accrued interest is due September 5, 2018 and is convertible any time after 180 days at the option of the holder into shares of the Company's common stock at 65% of the average stock price of the lowest 3 closing bid prices during the 10 trading day period ending on the latest complete trading day prior to the conversion date. During the nine months ended September 30, 2018, the noteholder converted the principal balance of the note and accrued interest of $4,120 to 8,691,189 shares of common stock.

On October 10, 2017, the Company issued an 8% convertible note in the aggregate principal amount of $78,000, convertible into shares of the Company's common stock. The Note, including accrued interest is due July 15, 2018 and is convertible any time after 180 days at the option of the holder into shares of the Company's common stock at 65% of the average stock price of the lowest 3 closing bid prices during the 10 trading day period ending on the latest complete trading day prior to the conversion date. During the nine months ended September 30, 2018, the noteholder converted the principal balance of the note and accrued interest of $3,120 to 3,709,211 shares of common stock.

On July 5, 2017, the Company issued an 8% convertible note in the aggregate principal amount of $63,000, convertible into shares of the Company's common stock. The Note, including accrued interest is due April 15, 2018 and is convertible any time after 180 days at the option of the holder into shares of the Company's common stock at 65% of the average stock price of the lowest 3 closing bid prices during the 10 trading day period ending on the latest complete trading day prior to the conversion date. During the nine months ended September 30, 2018, the noteholder converted the principal balance of the note and accrued interest of $2,520 to 2,753,093 shares of common stock.

On January 10, 2018, the Company issued an 8% convertible note in the aggregate principal amount of $240,000, convertible into shares of the Company's common stock, and includes a back-ended note with principal of $120,000 that was funded on July 10, 2018. The Note, including accrued interest is due January 10, 2019 and is convertible any time after 180 days at the option of the holder into shares of the Company's common stock at 65% of the average stock price of the lowest 3 closing bid prices during the 15 trading day period ending on the latest complete trading day prior to the conversion date. During the nine months ended September 30, 2018, the noteholder converted $25,000 of the principal balance to 3,613,315 shares of common stock. The balance of the note was $215,000 on September 30, 2018.

On January 16, 2018, the Company issued an 8% convertible note in the aggregate principal amount of $63,000, convertible into shares of the Company's common stock. The Note, including accrued interest is due October 30, 2018 and is convertible any time after 180 days at the option of the holder into shares of the Company's common stock at 65% of the average stock price of the lowest 3 closing bid prices during the 10 trading day period ending on the latest complete trading day prior to the conversion date. During the nine months ended September 30, 2018, the noteholder converted the principal balance of the note and accrued interest of $2,520 to 6,546,697 shares of common stock.

On March 6, 2018, the Company issued an 8% convertible note in the aggregate principal amount of $126,000, convertible into shares of the Company's common stock. The Note, including accrued interest is due March 6, 2019 and is convertible any time after 180 days at the option of the holder into shares of the Company's common stock at 65% of the lowest trading price during the 20 trading day period ending on the latest complete trading day prior to and including the conversion date. During the nine months ended September 30, 2018, the noteholder converted $16,000 of the principal balance and accrued interest of $649 to 4,743,239 shares of common stock. The balance of the note was $110,000 on September 30, 2018.

On May 3, 2018, the Company entered into a Convertible Promissory Note pursuant to which the Company borrowed in the aggregate principal amount of $83,500. The convertible note is due 12 months after issuance and bears interest at a rate of 8%. The Note is convertible into shares of common stock of the Company 180 days following the date of funding and thereafter. The conversion price shall be subject to a discount of 35% applied to the average of the three lowest closing bid prices of the Common Stock during the prior twenty (20) trading day period. The Investor will be limited to convert no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. At any time during the period beginning on the date of the Note and ending on the date which is 180 days thereafter, the Company may repay the Note by paying an amount equal to the then outstanding amount multiplied by 130%.

On May 15, 2018, the Company issued an 8% convertible note in the aggregate principal amount of $58,000, convertible into shares of the Company's common stock. The Note, including accrued interest is due February 28, 2019 and is convertible any time after 180 days at the option of the holder into shares of the Company's common stock at 65% of the average stock price of the lowest 3 closing bid prices during the 10 trading day period ending on the latest complete trading day prior to the conversion date.

On June 25, 2018, the Company issued an 8% convertible note in the aggregate principal amount of $53,000, convertible into shares of the Company's common stock. The Note, including accrued interest is due April 15, 2019 and is convertible any time after 180 days at the option of the holder into shares of the Company's common stock at 65% of the average stock price of the lowest 3 closing bid prices during the 10 trading day period ending on the latest complete trading day prior to the conversion date.

On August 13, 2018, the Company issued an 8% convertible note in the aggregate principal amount of $53,000, convertible into shares of the Company's common stock. The Note, including accrued interest is due May 30, 2019 and is convertible any time after 180 days at the option of the holder into shares of the Company's common stock at 65% of the average stock price of the lowest 3 closing bid prices during the 10 trading day period ending on the latest complete trading day prior to the conversion date.

The Company recorded a debt discount related to identified embedded derivatives relating to conversion features and a reset provisions (see Note 10) based fair values as of the inception date of the Notes. The calculated debt discount equaled the face of the 8% note dated March 30, 2017 and was amortized through the date the convertible debt was fully extinguished. The calculated debt discount equaled the face of the 12% note and was amortized through the date the convertible debt was fully extinguished. The calculated debt discount equaled the face of the 8% note dated July 5, 2017 and was amortized through the date the convertible debt was fully extinguished. The calculated debt discount equaled the face of the 8% note dated October 10, 2017 and was amortized through the date the convertible debt was fully extinguished. The calculated debt discount equaled the face of the 8% note dated November 28, 2017 and is being amortized and revalued over the term of the note. The calculated debt discount equaled the face of the 8% note dated January 10, 2018 and is being amortized and revalued over the term of the note. The calculated debt discount equaled the face of the 8% note dated January 16, 2018 and is being amortized and revalued over the term of the note. Interest expense on the convertible notes of $119,603 was recorded for the nine months ended September 30, 2018.

Convertible notes payable at September 30, 2018 and December 31, 2017 are summarized as follows:

	2018	2017
Total face value of notes	$ 572,500	$ 283,000
Less: Discount	153,959	19,819
Balance	$ 418,541	$ 263,181

Convertible Debentures

The Company issued convertible debentures to three individuals. The debentures are convertible into 75,000 shares of common stock for up to 5 years, at the holders' option, at an exercise price of $.50 and $.25, respectively. The debentures mature on the earlier of the closing of a subsequent financing event by the Company resulting in gross proceeds of at least $10,000,000 or three years from the date of issuance. The debentures bear interest at a rate of 10%. A beneficial conversion feature was not recorded as the fair market value of the Company's common stock was less than the exercise prices at the dates of issuance and through the end of the period. Interest expense on the convertible debentures of $5,589 and $4,360 was recorded for the nine months ended September 30, 2018 and 2017, respectively.

Note 10 – Derivative Liability

The Company has determined that the conversion feature embedded in the convertible notes described in Note 9 contain a potential variable conversion amount which constitutes a derivative which has been bifurcated from the note and recorded as a derivative liability at fair value, with a corresponding discount recorded to the associated debt. The excess of the derivative value over the face amount of the note is recorded immediately to interest expense at inception. The Company used the Binomial Option Pricing model to value the conversion features.

The Company used Level 3 inputs for its valuation methodology for the conversion option liability in determining the fair value using a Black-Scholes option-pricing model with the following assumption inputs:

	September 30, 2018	December 31, 2017
Annual dividend yield	--	--
Expected life (years)	0.77 - 1.0	0.80 - 1.0
Risk-free interest rate	2.07% - 2.17%	1.2% - 1.91%
Expected volatility	257% - 270%	272%

Based upon ASC 840-15-25 (EITF Issue 00-19, paragraph 11) the Company has adopted a sequencing approach regarding the application of ASC 815-40 to its outstanding convertible notes. Pursuant to the sequencing approach, the Company evaluates its contracts based upon earliest issuance date.

Note 11 – Notes Payable

Notes payable at September 30, 2018 and December 31, 2017 consists of loans to HealthDatix from 3 individuals totaling $52,500. The loans do not bear interest and there are no specific terms for repayment.

Note 12 – Stock Transactions

Designation of Preferred Stock

On August 2, 2018, the Company filed a Certificate of Designation with the Delaware Division of Corporations whereby the Company designated a Series A Preferred Stock and issued 1,000 shares to the Company's CEO. The holders of Series A Preferred Stock will have voting rights, when combined with their existing holdings of the Company's common stock, that entitle them to have an aggregate of 51% of the votes eligible to be cast by all stockholders with respect to all matters brought before a vote of the stockholders of the Company.

<u>Common Stock Issued</u>

On August 8, 2018, the Board unanimously approved an amendment to the Company's Articles of Incorporation to increase the number of shares of Common Stock which the Company is authorized to issue from Four hundred million (400,000,000) to Eight Hundred Million (800,000,000) shares of Common Stock, $0.001 par value per share.

In connection with the convertible notes payable (see Note 9 above) the noteholders converted $387,000 of principal balance and $23,746 of accrued interest to 32,647,831 shares of common stock during the nine months ended September 30, 2018. The stock issued was determined based on the terms of the convertible notes.

The Company issued 3,000,000 common shares for services, valued at $.0296 per share on May 16, 2018.

The Company sold 1,500,000 shares of common stock to an investor valued at $.02 per share during the nine months ended September 30, 2018 for proceeds of $30,000.

Note 13 - Income Taxes

A full valuation allowance was recorded against the Company's net deferred tax assets. A valuation allowance must be established if it is more likely than not that the deferred tax assets will not be realized. This assessment is based upon consideration of available positive and negative evidence, which includes, among other things, the Company's most recent results of operations and expected future profitability. Based on the Company's cumulative losses in recent years, a full valuation allowance against the Company's deferred tax assets has been established as Management believes that the Company will not realize the benefit of those deferred tax assets.

Note 14 – Concentrations and Credit Risk

<u>Sales and Accounts Receivable</u>

HealthDatix had sales to two customers which accounted for approximately 66% and 32%, respectively of HealthDatix's total sales for the nine months ended September 30, 2018. The two customers accounted for approximately 77% and 19%, respectively of accounts receivable at September 30, 2018.

HealthDatix had sales to five customers which accounted for approximately 29%, 18%, 16%, 13%, and 12%, respectively of HealthDatix's total sales for the period February 14, 2017 through September 30, 2017. Four customers accounted for approximately 33%, 32%, 15%, and 11% of accounts receivable at September 30, 2017.

Cash

Cash is maintained at a major financial institution. Accounts held at U.S. financial institutions are insured by the FDIC up to $250,000. Cash balances could exceed insured amounts at any given time, however, the Company has not experienced any such losses. The Company did not have any interest-bearing accounts at September 30, 2018 and December 31, 2017, respectively.

Note 15 - Related Party Transactions

Amounts Due to Related Parties

Amounts due to related parties with balances of $128,476 at September 30, 2018 and December 31, 2017, respectively, do not bear interest and are payable on demand. The Company's former subsidiary, Arcmail owed amounts on a credit card that is guaranteed by the husband of the Company's Executive Vice President, who was held personally responsible by the credit card company for the unpaid balance.

Note 16 – Commitments and Contingencies

Lease Commitment

The Company is obligated under two operating leases for its premises that expire at various times through August 31, 2019.

Total future minimum annual lease payments under the leases for the years ending December 31 are as follows:

2018	$ 7,393
2019	9,574
	$ 16,967

Rent expense of $21,363 and $19,694 was charged to continuing operations for the nine months ended September 30, 2018 and 2017, respectively.

Rent expense of $10,807 was charged to discontinued operations for the nine months ended September 30, 2017.

Employment Arrangements With Executive Officers

Effective April 1, 2017, in connection with the acquisition of HealthDatix Inc., the Company entered into employment agreements with Jerry Robinson, MaryJo Robinson, and Kathleen Shepherd each under a three-year term at a base salary of $75,000 per year, bonuses based upon objectives set by the Company, and participation in all benefit programs generally made available to HealthDatix employees. The employment agreements restrict the executive officers from engaging in certain competitive activities for the greater of 60 months from the date of the agreements or two years following the termination of their respective employment.

Note 17 – Subsequent Events

Common Stock Issued

Subsequent to the end of the period through the date of the report, various noteholders converted $112,543 of principal and $4,242 of accrued interest to 23,164,765 shares of the Company's common stock.

On October 25, 2018, the Company issued 5,130,650 shares of common stock for goods and services.

On November 1, 2018, the Company granted qualified stock options to various officers, stockholders, and employees to purchase 12,250,000 common shares. Such options are exercisable at a price of $.01 per share and are vested immediately.

Equity Financing Transaction

On October 4, 2018, the Company issued an 8% convertible note in the aggregate principal amount of $33,000, convertible into shares of the Company's common stock. The Note, including accrued interest is due June 30, 2019 and is convertible any time after 180 days at the option of the holder into shares of the Company's common stock at 65% of the average stock price of the lowest 3 closing bid prices during the 10 trading day period ending on the latest complete trading day prior to the conversion date.

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-Q which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), finding suitable merger or acquisition candidates, expansion and growth of the Company's business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances.

Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements. Factors that could adversely affect actual results and performance include, among others, potential fluctuations in quarterly operating results and expenses, government regulation, technology change and competition. Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The Company assumes no obligations to update any such forward-looking statements.

INTRODUCTION

iGambit is a company focused on the medical technology markets. Our primary focus is the expansion of our newly acquired medical technology business HealthDatix Inc.

HealthDatix is an end to end Software-as-a-Service solution that manages, reports, and analyzes critical data, enabling healthcare organizations to deliver positive patient outcomes. HealthDatix provides an opportunity for physicians to identify patients eligible for both “Annual Wellness Visits” (AWV) as well as “Chronic Care Management” both of which are reimbursed by Medicare.

Our AWV solution offers a fully-hosted cloud service for healthcare providers to conduct the Medicare Annual Wellness Visit (AWV) program to their Medicare patients providing the patient with a 5-10 year Personalized Preventive Plan and physician reports that meet all Medicare audit requirements. The AWV is a program that allows a physician to identify those patients that have 2+ chronic conditions that require additional screening and management.

Additionally our Chronic Care Management System (CCM), encompasses our FDA approved Electronic House Call system and Medicare covered platform, for continuous management of chronic care patients. The CCM platform can be tailored for individual care and health management of patients susceptible to chronic illness. The CCM platform is also designed to accumulate information from our BioDatix HealthBand, or any TeleMedicine or wearable device.

The BioDatix Health Band, currently in Pilots launched in September 2018 provides the ability to passively collect a wearers Heart Rate, Blood Oxygen, Blood Pressure, Sleep and Steps/Distance/Calories.

Assets. At September 30, 2018, we had $2,779,641 in total assets, compared to $3,328,755 at December 31, 2017. The decrease in total assets was primarily due to amortization of intangible assets from the acquisition of our HealthDatix subsidiary.

Liabilities. At September 30, 2018, our total liabilities were $1,213,838 compared to $959,780 at December 31, 2017. Our current liabilities at September 30, 2018 consisted of accounts payable and accrued expenses of $279,426, accrued interest on notes payable of $32,060, amounts due to related parties of $128,476, deferred revenue of $4,167, notes payable of $52,500, convertible debentures of $489,922, and derivative liability of $227,287, whereas our current liabilities at December 31, 2017 consisted of accounts payable and accrued expenses of $348,354, accrued interest on notes payable of $21,602, amounts due to related parties of $128,476, deferred revenue of $9,100, notes payable of $52,500, convertible debentures of $333,689, and derivative liability of $66,059.

Stockholders' Equity (Deficiency). Our Stockholders' Equity was $1,565,803 at September 30, 2018 compared to Stockholders Equity of $2,368,975 at December 31, 2017. This decrease was primarily due to an increase in accumulated deficit during the nine months ended September 30, 2018.

THREE MONTHS ENDED SEPTEMBER 30, 2018 AS COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2017

Revenues and Net Income. We had $22,582 of revenue from our HealthDatix subsidiary and a net loss of $608,519 during the three months ended September 30, 2018, compared to revenue of $19,012 and a net income of $6,325,014 for the three months ended September 30, 2017. The increase in revenue was due primarily to revenue generated by our HealthDatix subsidiary.

General and Administrative Expenses. General and Administrative Expenses decreased to $207,793 for the three months ended September 30, 2018 from $397,510 for the three months ended September 30, 2017. For the three months ended September 30, 2018 our General and Administrative Expenses consisted of corporate administrative expenses of $28,588, legal and accounting fees of $29,798, employee benefits expenses (health and life insurance) of $7,683, marketing expenses of $6,153, payroll expenses of $89,725, exchange filing fees of $8,897, transfer agent expense of $6,600, rent expense of $7,128, contract labor expense of $10,440, finders fees expense of $5,000, errors and omissions insurance expense of $5,281, and trade show expense of $2,500. For the three months ended September 30, 2017 our General and Administrative Expenses consisted of corporate administrative expenses of $26,251, legal and accounting fees of $19,180, employee benefits expenses (health and life insurance) of $14,427, marketing expenses of $18,662, payroll expenses of $86,757, exchange filing fees expense of $7,181, rent expense of $7,052, consulting fees expense of $186,000, commissions expense of $6,000, finders fees of $15,000 and research and development expense of $11,000. The decreases from the three months ended September 30, 2017 to the three months ended September 30, 2018 relate primarily due to: (i) a decrease in employee benefits, (ii) a decrease in marketing expenses; and (iii) a decrease in consulting and commissions expenses. Costs associated with the operation of our HealthDatix subsidiary are expected to increase going forward, as we expand the business operations of HealthDatix which would likely increase our corporate administrative expenses.

Other Income (Expense). We reported income from a change in fair value of derivative liability of $76,091, loss on extinguishment of debt of $95,464 and interest expense of $222,134 for the three months ended September 30, 2018. We reported interest expense of $16,668 for the three months ended September 30, 2017.

NINE MONTHS ENDED SEPTEMBER 30, 2018 AS COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2017

Revenues and Net Income (Loss). We had $30,500 of revenue from our HealthDatix subsidiary and a net loss of $1,944,799 during the nine months ended September 30, 2018, compared to $27,957 of revenue from our HealthDatix subsidiary and net income of $4,435,690, for the nine months ended September 30, 2017. The increase in revenue was due primarily to the revenue generated by our HealthDatix subsidiary.

General and Administrative Expenses. General and Administrative Expenses decreased to $752,930 for the nine months ended September 30, 2018 from $1,465,357 for the nine months ended September 30, 2017. For the nine months ended September 30, 2018 our General and Administrative Expenses consisted of corporate administrative expenses of $32,359, legal and accounting fees of $74,378, employee benefits expenses (health and life insurance) of $28,591, marketing expenses of $49,769, payroll expenses of $298,155, exchange filing fees expense of $19,707, rent expense of $21,363, transfer agent expense of $24,475, contract labor expense of $34,640, consulting fees expense of $89,400, finders fess of $26,000, errors and omissions insurance expense of $5,281, marketing expense of $40,769, and trade show expense of $8,043. For the nine months ended September 30, 2017 our General and Administrative Expenses consisted of corporate administrative expenses of $83,499, board compensation expense of $134,856, legal and accounting fees of $129,981, employee benefits expenses (health and life insurance) of $40,670, marketing expense of $52,381, payroll expenses of $505,150, commissions fees expense of $70,475, consulting fees expense of $373,136, finders fees expense of $15,000, exchange filing fees of $18,515, rent expense of $19,694, and research and development expense of $22,000. The decreases from the nine months ended September 30, 2017 to the nine months ended September 30, 2018 relate primarily due to: (i) a decrease in payroll expense, (ii) a decrease in marketing expenses; (iii) a decrease in board compensation expenses, and (iv) a decrease in consulting and fees expenses. Costs associated with the operation of our HealthDatix subsidiary are expected to increase going forward, as we expand the business operations of HealthDatix which would likely increase our corporate administrative expenses.

Other Income (Expense). We reported expense from a change in fair value of derivative liability of $(128,100), loss on extinguishment of debt of $233,734 and interest expense of $314,975 for the nine months ended September 30, 2018. We reported interest expense of $30,333 for the nine months ended September 30, 2017.

LIQUIDITY AND CAPITAL RESOURCES

General

As reflected in the accompanying consolidated financial statements, at September 30, 2018, we had $3,182 of cash and stockholders' equity of $1,565,803. At December 31, 2017, we had $9,449 of cash and stockholders' equity of $2,368,975.

Our primary capital requirements in 2018 are likely to arise from the expansion of our HealthDatix operations. It is not possible to quantify those costs at this point in time, in that they depend on HealthDatix's business opportunities and the state of the overall economy. We anticipate raising capital in the private markets to cover any such costs, though there can be no guaranty we will be able to do so on terms we deem to be acceptable. We do not have any plans at this point in time to obtain a line of credit or other loan facility from a commercial bank.

While we believe in the viability of our strategy to improve HealthDatix's sales volume, and in our ability to raise additional funds, there can be no assurances that we will be able to fully effectuate our business plan.

We believe we will continue to increase our cash position and liquidity for the foreseeable future. We believe we have enough capital to fund our present operations.

Cash Flow Activity

Net cash used in operating activities was $712,767, for the nine months ended September 30, 2018, compared to $523,545 for the nine months ended September 30, 2017. Net cash used in continuing operating activities was $712,767 for the nine months ended September 30, 2018, compared to $522,984 for the nine months ended September 30, 2017. Our primary use of operating cash flows from continuing operating activities was from net losses of $1,944,799 and $2,154,023 for the nine months ended September 30, 2018 and 2017, respectively. Additional contributing factors to the change were from depreciation expense of $1,295, amortization expense of $521,902, non-cash interest expense of $312,412, stock based compensation of $88,800, loss on the extinguishment of debt of $233,734, a change in fair value of derivative liability of $128,100, increase in accounts receivable of $19,727, a decrease in prepaid expenses of $39,377, a decrease in accounts payable and accrued expenses of $68,928, and a decrease in deferred revenue of $4,933. Net cash used in discontinued operations was $0 and $561 for the nine months ended September 30, 2018 and 2017, respectively.

Net cash used in continuing investing activities was $0 for the nine months ended September 30, 2018 and $31,023 for the nine months ended September 30, 2017. For the nine months ended September 30, 2017 the primary use of cash flows in investing activities was pre-acquisition loans to subsidiaries and loans to our Arcmail subsidiary prior to deconsolidation.

Net Cash provided by financing activities was $706,500 for the nine months ended September 30, 2018 compared to $559,535 for the nine months ended September 30, 2017. The cash flows provided by continuing financing activities for the nine months ended September 30, 2018 was primarily from $30,000 in proceeds from the sale of common stock and $676,500 in proceeds from issuance of convertible debentures. The cash flows provided by continuing financing activities for the nine months ended September 30, 2017 was primarily from $275,000 in proceeds from the sale of common stock, and $288,000 in proceeds from issuance of convertible debentures.

Plan of Operation and Funding

We expect that working capital requirements will continue to be funded through a combination of our existing funds and further issuances of securities. Our working capital requirements are expected to increase in line with the growth of our business. Existing working capital, further advances and debt instruments, and anticipated cash flow are expected to be adequate to fund our operations over the next twelve months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) developmental expenses associated with a start-up business and (ii) marketing expenses. We intend to finance these expenses with further issuances of securities, and debt issuances. Thereafter, we expect we will need to raise additional capital and generate revenues to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*
Not Required.

Item 4. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of September 30, 2018, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting

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Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings.***

From time-to-time, the Company is involved in various civil actions as part of its normal course of business. The Company is not a party to any litigation that is material to ongoing operations as defined in Item 103 of Regulation S-K as of the period ended September 30, 2018.

Item 1A. ***Risk Factors.***

Not required

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds.***

None

Item 3. ***Defaults upon Senior Securities.***

None

Item 4. ***Removed and Reserved.***

Item 5. ***Other Information.***

None

Item 6. Exhibits

Exhibit No.	Description

31.1 Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)

32.2 Certification of the Interim Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 19, 2018.

iGambit Inc.

/s/ John Salerno
John Salerno
Chief Executive Officer

/s/ Elisa Luqman
Elisa Luqman
Chief Financial Officer

Exhibit Index

Exhibit No.	Description
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Exhibit 31.1

I, John Salerno, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iGambit Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 19, 2018

/s/ John Salerno
Chief Executive Officer

Exhibit 31.2

I, Elisa Luqman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iGambit Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 19, 2018	/s/ Elisa Luqman
	Chief Financial Officer

Exhibit 32.1

WRITTEN STATEMENT OF THE CHIEF EXECUTIVE OFFICER
Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002

Solely for the purposes of complying with 18 U.S.C. s.1350 as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002, I, the undersigned Chief Executive Officer of iGambit Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2016, (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 20, 2017

/s/ John Salerno
Chief Executive Officer

Exhibit 32.2

WRITTEN STATEMENT OF THE CHIEF FINANCIAL OFFICER
Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002

Solely for the purposes of complying with 18 U.S.C. s.1350 as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002, I, the undersigned Chief Financial Officer of iGambit Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2016, (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 20, 2017

/s/ Elisa Luqman
Chief Financial Officer